



July 2013

DEFENSE ACQUISITION WORKFORCE

The Air Force Needs to Evaluate Changes in Funding for Civilians Engaged in Space Acquisition

Report Documentation Page

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July 2013

DEFENSE ACQUISITION WORKFORCE

The Air Force Needs to Evaluate Changes in Funding for Civilians Engaged in Space Acquisition

Why GAO Did This Study

The United States and DOD depend on space assets to support national security, civil, and commercial activities. Having sufficient quantities of qualified personnel to acquire space assets—on which DOD expects to spend \$8 billion in fiscal year 2013—is critical to DOD's ability to carry out its mission. Approximately 1,800 federal civilians at the Air Force SMC manage the acquisition of space systems. During fiscal year 2012, the Air Force implemented a pilot program that moved \$187.1 million for SMC's acquisition civilian personnel from its O&M to its RDT&E appropriation.

GAO was mandated to review the Air Force pilot program. This report addresses (1) the extent to which the Air Force evaluated the impact of the pilot, and (2) the processes in place to manage realignment of the funds. GAO obtained and reviewed documentation of the pilot implementation; compared the implementation with established practices GAO has identified for implementing and evaluating pilot programs; and interviewed officials at the Air Force and DOD. GAO also reviewed applicable regulations and guidance about realigning funds and interviewed knowledgeable officials.

What GAO Recommends

GAO recommends that the Air Force evaluate the pilot program, to determine the impact of moving funding for acquisition civilian personnel to the RDT&E appropriation, and the value of expanding this change to other Air Force civilian workforces. In written comments on a draft of this report, DOD concurred with all four recommendations.

View GAO-13-638. For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

What GAO Found

The Air Force did not evaluate its pilot program that moved funding for Space and Missile Systems Center (SMC) acquisition civilian personnel from its 1-year Operation and Maintenance (O&M) appropriation to its 2-year Research, Development, Test, and Evaluation (RDT&E) appropriation. In addition, the Air Force is considering using this pilot program to inform funding changes for other sections of its civilian workforce. GAO's prior work has identified the following practices for implementing and evaluating pilot programs: (1) develop objectives that link to the goals of the pilot; (2) develop processes for monitoring the pilot; (3) develop and implement a data collection and analysis plan for evaluating the pilot; and (4) communicate evaluation results to stakeholders. When implementing the pilot program, the Air Force did not follow these practices, and primarily focused on ensuring that administrative changes were made accurately such as ensuring employees received pay on time. For example, while a variety of potential goals were identified for the pilot program by the Air Force in various documents; they were not clear or consistent. As a result, anecdotal opinions on the advantages or disadvantages of the pilot varied significantly. Air Force acquisition officials stated that the pilot program could protect the funding from general reductions, while conversely, Air Force financial management officials said that the pilot would not necessarily mean that space acquisition personnel would be excluded from general reductions to civilian personnel funding. Further, Office of the Under Secretary of Defense (Comptroller) officials stated that they are relying on the Air Force to report to them on the pilot's outcomes, but the Air Force has not completed a data collection plan to evaluate the pilot program and has not developed processes for monitoring the pilot program and communicating evaluation results to stakeholders. Without systematically evaluating the pilot program, the Air Force cannot determine if there is an advantage to expanding the pilot to other sections of the civilian workforce.

The Air Force used existing approval processes identified by DOD to realign funds appropriated for acquisition civilian personnel to other purposes. Following the move of SMC acquisition civilian personnel funding to its RDT&E appropriation, the Air Force determined that \$29.5 million of the \$187.1 million appropriated for SMC acquisition civilian personnel in fiscal year 2012 was unneeded due to the civilian hiring controls the Air Force began implementing in May 2011. The Air Force realigned these funds to other requirements. Specifically, the Air Force realigned \$6.7 million to other programs within its RDT&E appropriation—including \$5.7 million to the Small Business Innovative Research fund—and obtained prior approval from Congress to realign \$22.8 million out of the RDT&E appropriation as part of an Omnibus Reprogramming request. The Omnibus Reprogramming request process does not identify where specific funds are to be realigned—instead the request identifies funding increases or decreases by individual program.

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Abbreviations

DOD	Department of Defense
FMR	Financial Management Regulation
OMB	Office of Management and Budget
O&M	Operation and Maintenance
RDT&E	Research, Development, Test, and Evaluation
SMC	Space and Missile Systems Center

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July 8, 2013

Congressional Committees

The United States and the Department of Defense (DOD) depend on space assets to support national security and civil and commercial activities. The Air Force Space Command's Space and Missile Systems Center (SMC)—employing approximately 1,800 federal civilians—provides DOD with operational space and missile systems, launch systems, and command and control infrastructure in support of global military and national security operations. Prior to fiscal year 2012, funding for SMC acquisition civilian personnel was provided from the Air Force Operation and Maintenance (O&M) appropriation, along with funding for most other Air Force civilian employees. According to an Air Force official, about 89 percent of Air Force civilian personnel are directly funded from its O&M appropriation, with 11 percent funded from its Research, Development, Test, and Evaluation (RDT&E) appropriation.

During the budget formulation process for fiscal year 2012, the Air Force requested that Congress approve a pilot program to move funding for SMC's acquisition civilian personnel from its O&M appropriation, which typically has a 1-year period of availability, to its RDT&E appropriation, which typically has a 2-year period of availability.¹ The Air Force characterized this move of \$187.1 million as a pilot initiative, and has stated that it is considering expanding this program to other acquisition workforce communities, such as the acquisition civilian personnel at Air Force Materiel Command. The Senate Report accompanying a proposed bill for the Department of Defense Appropriations Act, 2013, mandated GAO to report on the impacts of this move.² In response to this mandate, we determined (1) the extent to which the Air Force evaluated the impact

¹ After the appropriation's period of availability, budget authority expires and is no longer available to incur new obligations. Expired funds remain available for 5 additional years after the expiration of the appropriation for recording, adjusting, and liquidating obligations properly incurred before the period of availability expired. At the end of the fifth year following the end of the period of availability, the unexpended funds cancel. Once funds cancel, they are no longer available for obligation or disbursement. See GAO, *A Glossary of Terms Used In the Federal Budgeting Process*, GAO-05-734SP (Washington, D.C.: September 2005) and GAO, *Principles of Federal Appropriations Law*, Vol. 1, Chapter 2, § A.4.d, GAO-04-261SP (Washington, D.C.: January 2004).

² S. Rep. No. 112-196, at page 207-208 (2013).

of moving funding for SMC acquisition civilian personnel from its O&M appropriation to its RDT&E appropriation, and (2) the processes that are in place to manage realignment of funds intended for acquisition civilian personnel to other purposes.

To determine the extent to which the Air Force evaluated the impact of the pilot program to move SMC acquisition civilian personnel funding from its O&M appropriation to its RDT&E appropriation, we obtained and reviewed documentation related to the process the Air Force used to decide upon, plan for, and implement the pilot. We also interviewed officials from the Office of the Under Secretary of Defense (Comptroller), SMC, Space Command, Air Force Materiel Command, the office of the Assistant Secretary of the Air Force for Acquisition, the office of the Assistant Secretary of the Air Force for Financial Management and Comptroller, and Air Force Manpower and Personnel to discuss the decision to use a pilot program to move the SMC funding, as well as obtain their views on the advantages and disadvantages of the pilot program and the process used to decide upon, plan for, and implement the pilot. We compared the Air Force implementation of the pilot program with the following established management and evaluation practices GAO has previously identified for implementing pilot programs: (1) developing objectives that link to the goals of the pilot; (2) developing processes and procedures for approving, reporting, and monitoring and providing program support (3) developing and implementing a data collection and analysis plan for evaluating the pilot; and (4) communicating evaluation results to stakeholders.³

To determine the processes in place to manage realignment of funds intended for acquisition civilian personnel to other purposes, we reviewed applicable law, guidance from the Office of Management and Budget (OMB), the DOD Financial Management Regulation (FMR), and Air Force guidance. We interviewed officials knowledgeable about the procedures for realigning funds within and between appropriations at the Office of the Under Secretary of Defense (Comptroller), the office of the Assistant

³GAO, *Designing Evaluations: 2012 Revision (Supersedes PEMD-10.1.4)*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012); *Catastrophic Planning: States Participating in FEMA's Pilot Program Made Progress, but Better Guidance Could Enhance Future Pilot Programs*, [GAO-11-383](#) (Washington, D.C.: Apr. 8, 2011); and *Tax Administration: IRS Needs to Strengthen Its Approach for Evaluating the SRFMI Data-Sharing Pilot Program*, [GAO-09-45](#) (Washington, D.C.: Nov. 7, 2008).

Secretary of the Air Force for Financial Management and Comptroller, and SMC.

We conducted this performance audit from September 2012 to June 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Having sufficient quantities of qualified personnel to design, oversee, and acquire space assets—on which DOD expects to spend \$8 billion in fiscal year 2013—is critical to DOD’s ability to carry out its mission. Our prior work—including our most recent update of our High-Risk Series—emphasizes that strategic human capital planning is critical to ensuring DOD will be able to address future challenges, such as shortages of trained acquisition personnel to oversee and manage contracts that have become more expensive and increasingly complex.⁴ As DOD faces the challenge of sustained budget constraints, including sequestration, prioritizing needs and carefully allocating resources will have increased importance.

DOD has made rebuilding its acquisition workforce a strategic priority, and our most recent review of the Defense Acquisition Workforce Development Fund found that DOD continues to face challenges in strategic workforce planning for its acquisition workforce.⁵ In April 2009, the Secretary of Defense announced his intent to increase the size of the acquisition workforce, in part to (1) address concerns that DOD had become too reliant on contractors to support core acquisition functions, and (2) rebuild the capacity and skill sets for acquisition that had been

⁴GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013); *Human Capital: Critical Skills and Competency Assessments Should Help Guide DOD Civilian Workforce Decisions*, [GAO-13-188](#) (Washington, D.C.: Jan. 17, 2013); *Human Capital: DOD Needs Complete Assessments to Improve Future Civilian Strategic Workforce Plans*, [GAO-12-1014](#) (Washington, D.C.: Sept. 27, 2012); and *Defense Acquisition Workforce: Improved Processes, Guidance, and Planning Needed to Enhance Use of Workforce Funds*, [GAO-12-747R](#) (Washington, D.C.: June 20, 2012).

⁵[GAO-12-747R](#).

eroded in the years that followed the downsizing of the acquisition workforce in the 1990s. DOD's April 2010 acquisition workforce strategic plan identified an objective to increase its acquisition workforce from approximately 133,000 (as of September 2009) to 153,000 by fiscal year 2015.

DOD Acquisition Civilian Personnel Are Funded through Multiple Appropriations and Accounts

The type of account used to fund the defense acquisition workforce varies across the military services. For example, according to an Army official, funding for Army acquisition civilian personnel is in reimbursable accounts, such as the Army Working Capital Fund, as well as its O&M and RDT&E appropriations. According to a Navy official, funding for more than half of Navy acquisition civilian personnel is managed through its working capital fund, with others funded through a mix of its O&M and RDT&E appropriations. Funding for other DOD civilian personnel is generally located in the O&M appropriation.

In the Air Force prior to fiscal year 1988, acquisition civilian personnel, including space acquisitions civilian personnel, were funded through its RDT&E appropriation. According to Air Force officials, in fiscal year 1988, the funding was moved to its O&M appropriation to add stability to the annual funding cycle; to achieve more consistent treatment across the Air Force; resolve reprogramming issues; and provide flexibility to move funding in the year of budget execution. However, the officials stated that around 2008, the Air Force began considering requesting congressional approval to move the funding back to its RDT&E appropriation. Concurrent with these discussions, in 2009, an assessment of the Air Force acquisition process recommended the Air Force seek to move the funding for acquisition civilian personnel to RDT&E to "reduce personnel turbulence."⁶ Also in 2009, the Air Force created an Acquisition Improvement Plan, which outlined an effort to rebuild an Air Force acquisition culture that delivers products and services as promised—on time, within budget, and in compliance with all laws, policies and regulations. The plan listed five initiatives and associated actions, with the goal of addressing longstanding acquisition issues the Air Force identified: (1) revitalize the acquisition workforce; (2) improve the requirements generation process; (3) instill budget and financial

⁶CNA (Officially known as CNA's Center for Naval Analyses), *CNA Independent Assessment: Air Force Acquisition: Return to Excellence* (Feb. 2009). The report did not provide more specific information regarding this recommendation.

discipline; (4) improve Air Force major systems source selections; and (5) establish clear lines of authority and accountability within acquisition organizations.

Following the implementation of the Acquisition Improvement Plan, as part of the budget process for fiscal year 2012 the Air Force requested that Congress approve a pilot program to move funding for SMC acquisition civilian personnel to its RDT&E appropriation. The pilot program was implemented in fiscal year 2012, moving the funding for 1,559 acquisition civilian personnel positions at SMC to a new program element in its RDT&E appropriation.⁷ The funding totaled about \$187.1 million and the personnel included in the pilot program represented 73 different occupational series. The 10 occupational series with the most employees included in the move—representing 79 percent of the relevant population—are included in table 1.

Table 1: Examples of Occupations Included in the Space and Missile Systems Center Pilot Program

Occupation	Number of Employees
Contracting	195
General business and industry	174
General engineering	126
Misc. administration and program	110
Logistics management	101
Budget analysis	99
Financial administration and program	96
Electronics engineering	86
Information technology	44
Secretary	41

Source: GAO analysis of Air Force data

The Air Force is also considering requesting that Congress approve a move of funding for other acquisition workforce communities to its RDT&E appropriation, specifically acquisition civilian personnel at the Air Force

⁷The program element budgeted for 1,559 positions. As of the end of fiscal year 2012, SMC had assigned 1,336 personnel to this program element.

Materiel Command. According to Air Force officials, this move would include approximately 10,000 personnel and \$1.2 billion of funding.

OMB Guidance and DOD Regulations Specify the Processes That Apply to Realigning Funds between Programs and Appropriations

The processes that manage realignment of funds within and among appropriations are established by law, OMB guidance, and the DOD Financial Management Regulation (FMR). The Antideficiency Act requires that agencies prescribe, by regulation, a system of administrative control of funds.⁸ OMB Circular A-11 specifies the funds control regulations that must be present in each agency,⁹ and the DOD FMR outlines the structure of these controls within DOD.¹⁰ Specifically, the DOD FMR directs statutory and regulatory financial management requirements, systems, and functions for all activities within DOD.

Congress recognizes that unforeseen requirements occur during the year of budget execution, and permits the realignment of funds within certain guidelines. Both statutory and regulatory rules govern realignment of funds, and Congress typically provides DOD with authority to realign funds between programs to manage resources when circumstances change during the fiscal year through both transfers and reprogramming.¹¹ A transfer of funds is shifting of all or part of the budget authority in one appropriation or fund account to another, and requires specific statutory authority.¹² Reprogramming, by contrast, is the shifting of funds within an appropriation account for purposes other than

⁸31 U.S.C. § 1514(a).

⁹Office of Management and Budget Circular A-11, *Preparation, Submission, and Execution of the Budget* (Aug. 3, 2012).

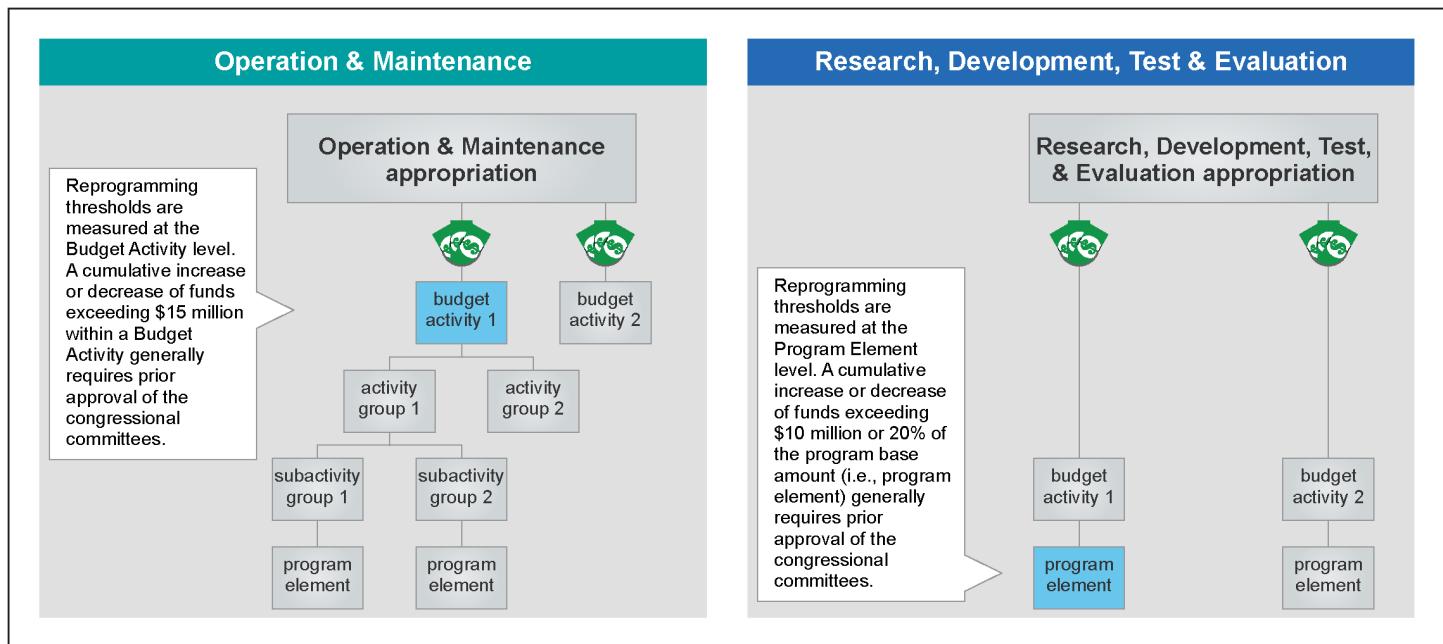
¹⁰Department of Defense Financial Management Regulation 7000.14-R, Introduction, at I-3 (June 2011).

¹¹See, for example, the Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6, § 8005 (2013), which provides DOD with general transfer authority in the amount of \$4 billion, and places limitations and conditions on the use of both transfer and reprogramming authority by DOD in fiscal year 2013.

¹²GAO, *A Glossary of Terms Used In the Federal Budgeting Process*, GAO-05-734SP (Washington, D.C.: September 2005).

those contemplated at the time of appropriation.¹³ According to DOD guidance, all uses of DOD's general transfer authority require prior congressional approval, and the oversight of reprogramming actions varies depending on the amount of funding realigned and the relevant appropriations involved (see Figure 1).

Figure 1: Selected Guidelines for Realigning Funds in Department of Defense Operation & Maintenance and Research, Development, Test & Evaluation Appropriations



Source: GAO analysis of OMB, DOD, and Air Force guidance.

¹³ [GAO-05-734SP](#). While GAO's definitions of transfer and reprogramming are mutually exclusive, the DOD Financial Management Regulation (FMR) takes a broader view of reprogramming, defining it as "realignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement." DOD FMR 7000.14-R, Glossary (December 2008). In keeping with this broader view, the DOD FMR requires that all transfers of funds not directed by Congress be accompanied by a reprogramming action as well. DOD FMR 7000.14-R, Volume 3, Chapter 3, § 030404 (May 9, 2011).

**Congressional Prior Approval
(Above-Threshold)
Reprogramming**

DOD's FMR specifies when prior approval must be obtained from the congressional defense committees for reprogrammings or transfers. Specifically, the FMR requires that prior approval must generally be obtained when the realignment (1) increases the procurement quantity of a major end item,¹⁴ (2) affects a congressional special interest item, (3) involves the use of general transfer authority, (4) exceeds the monetary thresholds established for each appropriation, (5) establishes new programs, or (6) terminates appropriated programs. For reprogramming of funds appropriated in the O&M budget, prior approval by the congressional defense committees is required if there is a cumulative increase or decrease greater than \$15 million in a given budget activity. For reprogramming of funds appropriated in the RDT&E budget, prior approval by the congressional defense committees is required if there is a cumulative increase or decrease greater than \$10 million or more than 20 percent of the program base amount (i.e., the program element amount)—whichever is less.¹⁵ The DOD FMR requires that DOD obtain approval from the congressional committees for reprogrammings above these funding thresholds prior to implementation of the funding realignment.

Internal Approval (Below-Threshold) Reprogramming

Funding realignments that do not require prior congressional approval are generally termed “below-threshold reprogrammings” and are usually managed at the component level. Below-threshold reprogrammings provide DOD components with the discretionary flexibility to realign—within prescribed funding limits—congressionally approved funding to satisfy unforeseen, higher priority requirements.

The Air Force Did Not Evaluate the Impact of the Pilot Program

The Air Force did not evaluate the benefits of its pilot program that moved funding for SMC acquisition civilian personnel from its 1-year O&M appropriation to its 2-year RDT&E appropriation. As a result, at this time, the Air Force does not know if there is an advantage to expanding this pilot program to other civilian workforce communities. As identified in our

¹⁴ Examples of a major end item are an individual aircraft, missile, naval vessel, or tracked combat vehicle.

¹⁵ The limitation is the net value of realignments into or out of a program element at the specified level. For example, realignments using below-threshold reprogramming authority of \$5.0 million out of an RDT&E program element and a realignment of \$4.0 million into the same RDT&E program element would result in a total realignment of \$1.0 million, with the consequence that the reprogramming with regard to that program element would represent a net \$1.0 million increase.

prior work,¹⁶ the following established practices for implementing and evaluating pilot programs allow agencies to more effectively inform future program rollout: (1) develop objectives that link to the goals of the pilot; (2) develop processes and procedures for approving, reporting, and monitoring; (3) develop and implement a data collection and analysis plan for evaluating the pilot; and (4) communicate evaluation results to stakeholders. When implementing the pilot program the Air Force did not follow these practices, and primarily focused on ensuring that administrative changes were made accurately such as ensuring employees received pay on time and maintaining consistency of data across financial management systems.

The Air Force did not establish clear and consistent goals for the pilot program. The practice of establishing goals for pilot programs is fundamental to determining whether the objectives of the pilot have been met. While a variety of potential goals were identified by the Air Force in budget justification documents and an internal briefing, and by officials we met with in the course of our review, these were not clear or consistent. In the Air Force budget justification materials provided to Congress describing the fiscal year 2012 request to move funding for SMC acquisition civilian personnel to its RDT&E appropriation, the Air Force stated that the pilot program would provide program managers with the flexibility to hire civilian personnel using RDT&E funding rather than hiring additional contractors.¹⁷ However, a briefing document the Air Force presented to internal stakeholders, in April 2009, listed the following goals for the pilot program that were not consistent with the goals listed by officials in the course of our review, and not the same as what was listed in the budget justification materials:

- Stabilize the acquisition workforce funding across the planning, programming, budgeting, and execution system¹⁸ by decreasing

¹⁶ GAO-11-383.

¹⁷ Department of Defense, *Fiscal Year 2013 President's Budget Submission: Air Force Justification Book Volume 2, Research, Development, Test & Evaluation. Air Force Vol. II – Part 2* (February 2012).

¹⁸ The planning, programming, budgeting, and execution system is a formal, systematic structure DOD uses for making decisions on policy, strategy, and the development of forces and capabilities to accomplish anticipated missions. The annual process produces the Secretary of Defense's Defense Planning and Programming Guidance, the 5-year Program Objectives Memoranda, and 1-year Budget Estimate Submissions for the military departments and defense agencies, and the DOD portion of the President's Budget.

general Air Force and congressional reductions to funding for acquisition civilian personnel;

- Identify the acquisition civilian personnel funding by placing it in a single program element;
- Align mission and acquisition civilian personnel funding in the same appropriation;
- Resource new acquisition missions immediately; and
- Allow for funding flexibility so that RDT&E funding could be used to hire additional civilian personnel if an urgent need arose, rather than hiring additional contractors.

Further, when we asked Air Force officials at several different levels within the organization what the goals were for the pilot program, they cited goals that were different from those stated in the internal briefing.¹⁹ For example, officials at one office stated that the goals of the pilot program were to make sure there was no negative impact to the acquisition workforce (i.e., employee pay was not interrupted) and to increase the transparency of decisions regarding funding of the acquisition workforce, while other officials stated the goal was to increase visibility of the acquisition civilian workforce so that—if directed by Department leadership—the workforce could be more efficiently identified and excluded from general funding reductions, such as hiring freezes or furloughs. Yet other officials stated the goal of the pilot program was to ensure that any future expansion of the effort to additional workforce communities would be approved by the Office of the Secretary of Defense and the Congress.

Further, the Air Force has not made plans to evaluate the outcome of the pilot program. As a result, it remains unclear if the potential impacts cited by Air Force officials during our review can be characterized as advantages or disadvantages. For example, although the Air Force internal briefing identified a goal to decrease general Air Force and congressional reductions to acquisition civilian personnel funding, officials did not develop a plan to evaluate whether or not moving this funding to its RDT&E appropriation achieved this goal. Officials responsible for managing the acquisition workforce believe that moving funding to its RDT&E appropriation could prevent acquisition civilian personnel from being subject to any general O&M reductions, thus allowing the

¹⁹Officials in the Office of the Under Secretary of Defense (Comptroller) told us that they do not have an opinion on the pilot program.

acquisition workforce to have more stable funding. However, Air Force financial management officials told us that moving funding to its RDT&E appropriation would not necessarily mean that space acquisition personnel would be excluded from any general reductions to civilian personnel funding, and SMC officials confirmed that SMC acquisition civilian personnel funding has continued to be impacted by general reductions following the pilot program. In another example, Air Force officials told us that moving acquisition civilian personnel funding to a specific program element in its RDT&E appropriation would increase the visibility of both the funding and any decisions to realign the funding to other purposes. Officials responsible for the acquisition workforce told us that the additional visibility would improve their ability to manage funding for the acquisition workforce, because the funding would be located in a single program element in the RDT&E appropriation, and hence funding decisions would be more informed. In contrast, Space Command officials told us that the move of SMC acquisition personnel funding to RDT&E has caused challenges for Space Command. Specifically, according to agency officials, Space Command faced funding shortfalls in fiscal year 2012, but officials could not simply realign unobligated funds from the SMC acquisition civilian personnel program element to alleviate these shortfalls because such a realignment requires the prior approval of the congressional defense committees.

Moreover, Air Force officials told us that RDT&E funding is generally considered less flexible than O&M funding because of different requirements for realigning the funding. For example, Air Force officials stated that when SMC acquisition civilian personnel funding was located in O&M, unobligated funds were generally available to be used for other purposes within the same O&M activity—such as utilities and base operations—subject to the required approval. The officials stated that when the funding is located in RDT&E, it is more difficult to realign unobligated funds because of the rules governing the realignment of RDT&E funds, which are more likely to require additional steps and authorizations prior to being able to use unobligated funds for other purposes compared with when the funding is in O&M. The officials added that the loss of flexibility in O&M funding may be a disadvantage for the management of O&M budgets. However, moving funding to the RDT&E appropriation may be an advantage for the acquisition community, who might be able to use the unobligated funds for other RDT&E acquisition priorities, if appropriate approvals are obtained.

As previously mentioned, the Air Force has expressed interest in expanding the program to other civilian acquisition workforce

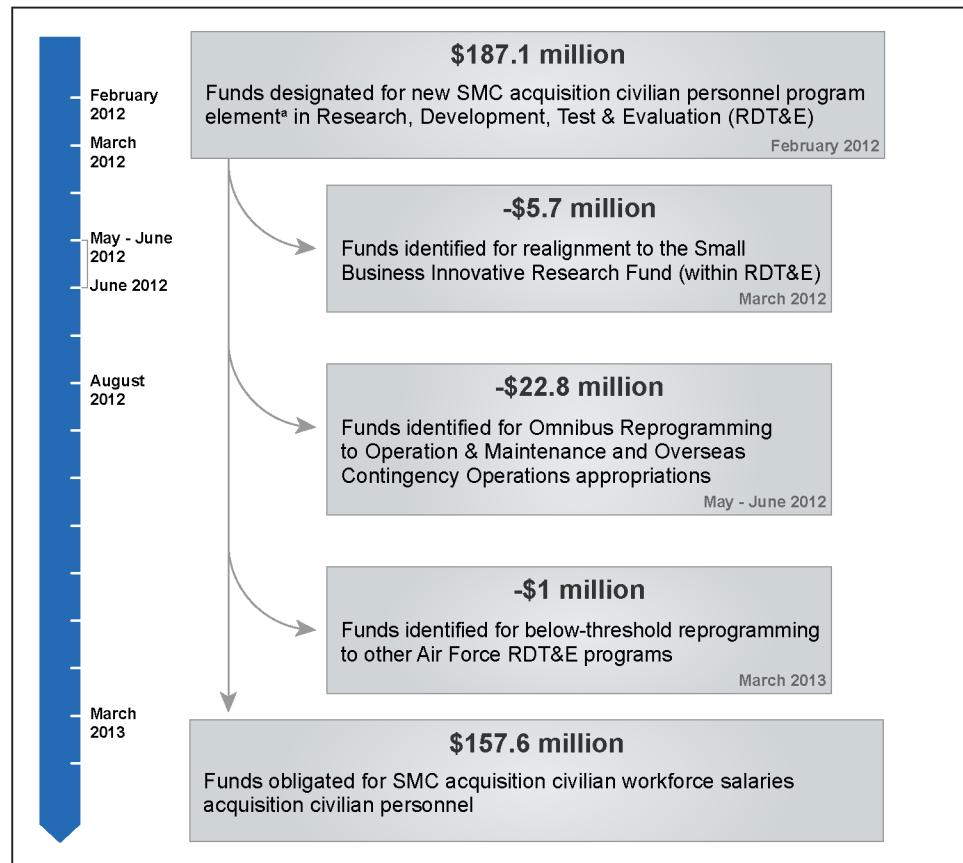
communities, such as the acquisition civilian personnel at Air Force Materiel Command. Office of the Under Secretary of Defense (Comptroller) officials told us that—while they do not have an opinion of the pilot program—they are relying on the Air Force to report to them on the pilot’s outcomes. However, because the Air Force did not establish clear and consistent program objectives or a data collection plan to evaluate the benefits of its pilot program, they were unable to evaluate whether potential impacts resulting from the pilot were advantages or disadvantages. Without establishing goals and completing a data collection plan to evaluate the pilot program, the Air Force also has not applied the remaining two established practices—developing processes for approving, reporting, and monitoring the pilot program as well as communicating evaluation results to stakeholders. As a result, stakeholders within the Air Force, DOD, and Congress do not have the necessary information to know if there is value in, or what would be accomplished by, expanding the effort to other civilian workforce communities.

The Air Force Used Existing Approval Processes Identified by DOD to Realign Funds Appropriated for Acquisition Civilian Personnel to Other Programs

Following the move of SMC acquisition civilian personnel funding to its RDT&E appropriation, the Air Force did not obligate \$29.5 million of the \$187.1 million appropriated for SMC acquisition civilian personnel in fiscal year 2012, and Air Force officials told us that these funds were unneeded due to the civilian hiring controls the Air Force began implementing in May 2011.²⁰ Some of these funds were realigned to other programs within its RDT&E budget, while most were realigned to unspecified requirements within its O&M and Overseas Contingency Operations budgets (see figure 2).

²⁰Office of the Assistant Secretary of the Air Force, *Implementation of Civilian Hiring Controls* (Washington, D.C.: May 12, 2011); and *Continuation of Hiring Freeze* (Washington, D.C.: Nov. 18, 2011).

Figure 2: Processes Used to Realign Space and Missile Systems Center Acquisition Civilian Personnel Funding in Fiscal Year 2012



Source: GAO analysis of DOD and Air Force documents.

^aThe program element is specifically identified in the Air Force RDT&E budget materials as containing funding only for SMC acquisition civilian personnel. According to officials, the Air Force tracks the cumulative realignment of funding into or out of the program element, and prior approval by the congressional defense committees is required for further realignments if the cumulative total reaches prescribed thresholds.

Specifically, the Air Force used the following processes to realign SMC acquisition civilian personnel funding to other purposes:

- First, the Air Force realigned \$6.7 million to other programs within its RDT&E appropriation, including \$5.7 million to the Small Business

Innovative Research fund.²¹ The realignment of \$5.7 million to this fund did not require congressional notification because it did not use DOD's general transfer authority and was used to address mandatory spending requirements; the realignment of an additional \$1 million to other Air Force needs was below the \$10 million threshold DOD has identified for prior approval by the congressional defense committees.

- Second, the Air Force included a request to realign \$22.8 million out of the RDT&E appropriation containing the SMC acquisition civilian personnel funds in the Omnibus Reprogramming request submitted to the congressional defense committees for prior approval on June 26, 2012. DOD's Omnibus Reprogramming process consolidates various reprogrammings and transfers, and typically uses the Department's general transfer authority to realign funding between appropriations once prior approval of the congressional defense committees has been obtained. The committees approved this request on August 21, 2012.

According to Air Force officials, the Omnibus Reprogramming request process does not identify where specific funds are realigned to—instead the request identifies funding increases or decreases by individual program. The Omnibus Reprogramming request of June 26, 2012, outlined \$7.9 billion that DOD was requesting to realign to the O&M and Overseas Contingency Operations appropriations.

The \$157.6 million remaining in the SMC acquisition civilian program element that was not realigned to other purposes was obligated for SMC acquisition civilian personnel. Air Force officials explained that the realigned funds were not needed for SMC acquisition civilian personnel because fewer SMC acquisition civilian employees were hired than expected due to the Air Force's civilian hiring controls. SMC officials told us that fiscal constraints will likely continue to impact hiring of acquisition civilian personnel, but added that they have not adjusted their budget request to reflect this. The Air Force has requested \$192.3 million for SMC acquisition civilian personnel funding in the fiscal year 2014 budget

²¹The Small Business Innovative Research program (governed by 15 U.S.C. § 638) assists small business concerns to obtain government contracts for research and development. Each federal agency and military department with a research and development contract budget in excess of \$100 million is required to allocate a set percentage of that budget for the Small Business Innovative Research program. In fiscal year 2012 the required minimum percentage for allocations was 2.6 percent of the total amount used to contract for research and development.

request—a 22 percent increase over the \$157.6 million obligated in fiscal year 2012.

Conclusions

During a time of changing national security threats, challenging fiscal realities, and continuing increases of weapon systems acquisition costs, it is important that decision makers in DOD and the Air Force take a strategic approach to managing their acquisition civilian workforce. When making a decision about managing the workforce, decision makers should consider and weigh tradeoffs, such as mitigating potential erosion of the acquisition enterprise and maintaining flexibility in budgeting. However, the Air Force did not consider the potential impact of moving funds for SMC's acquisition civilian personnel and did not follow established practices we have identified for implementing and evaluating pilot programs. As a result, the Air Force is unable to determine what impacts the move may have on its acquisition enterprise or other Air Force needs, and therefore does not know whether there are advantages for the pilot program to be expanded to include other workforce communities, such as the acquisition civilian personnel at Air Force Materiel Command.

Recommendation for Executive Action

To determine the impact of moving funds for SMC acquisition civilian personnel to the RDT&E appropriation, and whether this change should be expanded to other acquisition civilian workforce communities, we recommend that the Secretary of the Air Force direct the Assistant Secretary of the Air Force for Acquisition, in conjunction with the Assistant Secretary of the Air Force for Financial Management and Comptroller, to take the following four actions:

- Develop objectives that link to the goals of the pilot program.
- Develop processes and procedures for approving, reporting, and monitoring the pilot program.
- Develop and implement a data collection and analysis plan for evaluating pilot performance.
- Communicate the evaluation results to stakeholders.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD concurred with our four recommended actions (see app. I). In concurring with our recommendations, DOD stated that the Air Force will evaluate the pilot program to ensure any conversion places the control of the resources at the appropriate level as they are vetted through the Air Force for

approval. The Air Force attached technical comments to its response, which we have addressed in the report text, where applicable.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and the Secretary of the Air Force. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact us at (202) 512-3604 or farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is fluid and cursive, with "Brenda" on the first line and "S. Farrell" on the second line.

Brenda S. Farrell
Director, Defense Capabilities and Management

List of Addressees

The Honorable Carl Levin
Chairman
The Honorable James M. Inhofe
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Richard J. Durbin
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Howard P. "Buck" McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable C.W. Bill Young
Chairman
The Honorable Peter J. Visclosky
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Comments from the Department of Defense

 OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER
(Program/Budget)

Ms. Brenda S. Farrell, Director
Defense Management and Capabilities
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Farrell:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO 13-638, "DEFENSE ACQUISITION WORKFORCE: The Air Force Needs to Evaluate Changes in Funding for Civilians Engaged in Space Acquisition," dated May 31, 2013 (GAO Code 351771).

The Department of Defense position on the report is that we agree with the four recommendations and that the Air Force will evaluate the pilot program to ensure any conversion places the control of the resources at the appropriate level as they are vetted through the Air Force Corporate structure for approval.

Request the errors outlined in the attached Comment Resolution Matrix be updated prior to publication of the report.

My point of contact for this action is Mr. Keith E. Anderson, 703-697-3252, keith.anderson@osd.mil.

Sincerely,


Monique Dilworth

Attachments:
As Stated

Appendix II: GAO Contact and Staff Acknowledgements

GAO Contact

Brenda S. Farrell, (202) 512-3604 or farrellb@gao.gov

Acknowledgements

In addition to the contact named above, Lori Atkinson, Assistant Director; Bruce Brown; Foster Kerrison; and Amanda Manning made key contributions to this report. Grace Coleman and Amie Steele assisted in report development, and Michael Willems provided legal support.

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